MAY 22, 1947

Town Meeting

BROADCAST BY STATIONS OF THE AMERICAN BROADCASTING CO.

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

How Can We Avoid an Economic Bust?

Moderator, GEORGE V. DENNY, JR.

Speakers

JOSEPH H. BALL | CHESTER BOWLES

Interrogators

GEORGE TERBORGH | RICHARD V. GILBERT

(*See also page* 13)

COMING

—*May 29, 1947*—

How Can We Strengthen the American Family?

—*June 5, 1947*—

Are Communism and Christianity Incompatible?

Published by THE TOWN HALL, Inc., New York 18, N.Y.

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Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR

MAY 22, 1947 VOL. 13, No. 4

How Can We Avoid an Economic Bust?

Moderator Denny:

Good evening, neighbors. As a boy or girl, did you ever walk on stilts? If so, do you remember how rickety you felt and how very insecure you looked to your anxious mother and father, as they watched you high up in the air? Well, that's the way our economy is beginning to look to most of us, as though it's up on stilts. Prices, with few exceptions, are higher now than at any time since the boom period which followed World War I. Yet, industry is turning out materials at a rate nearly double our prewar output.

President Truman has appealed to the Nation. Businessmen from one end of the country to the other tell us that they have tried to take effective action to bring prices down. Some have succeeded. But will voluntary price cuts alone do the job? What can each and every one of us do individually to bring down prices without forcing little businessmen out into the streets and the big businessmen into wholesale lay-offs?

If the United States of America —the richest and most powerful country in the world — allows itself to sink into another depression, the impact of that depression will be felt around the world like the tremors of an earthquake. We don't like to picture the worldwide consequences of an economic collapse in the United States.

So let's ask our four experts to clarify the problem for all of us now. How can we avoid an economic bust, Mr. Chester Bowles? Senator Ball, how do you think we can avoid a depression? I'm sure you won't agree with Mr. Bowles. And both of you gentlemen will have to submit to sharp questioning by our interrogators, Mr. Richard V. Gilbert and Mr. George Terborgh.

Now, may we hear from Mr. Chester Bowles, former OPA director, whose plan for avoiding

an economic bust was released last week by the Committee on Economic Stability of the Americans for Democratic Action. Mr. Bowles. *(Applause.)*

Mr. Bowles:

Ladies and gentlemen, you and your family are well aware of the outrageous increase in the cost of living in the last ten months. I can see no purpose tonight in discussing who is to blame for it.

A year ago many of us warned that unless really effective controls were maintained for one final year, prices would move to considerably higher levels, with inevitable hardship for tens of millions of our people. But others were confident that after removal of or drastic modification of price controls, prices would promptly stabilize.

In the last ten months the cost of living has risen three times as much as in the previous thirty-seven months. As you housewives know, meat is now up 60 per cent. Fish prices, on the average, are almost double. Building costs are up 37 per cent. On item after item, we have the same dismal story of higher and still higher prices.

If our family incomes had gone up in proportion, these high prices would have still caused considerable hardship, but millions of families throughout the country know that this has not been so. Today the average weekly wage throughout the country only 5 per cent higher than la June. For factory workers, re resenting 25 per cent of our wor ing force, the increase has been per cent. For white collar ar professional workers, it has bee only $1\frac{1}{2}$ per cent.

For government employees ar people living on veterans' benefi social security, and pensions, tl increase, with few exceptions, h been zero. So, we see, prices retail stores have gone up 20 p cent in the last ten months, whi wages and salaries on the avera have increased by only one quart that amount. That situation itself obviously spells troub some time in the future.

Recently there have been ma signs that the trouble is not t far distant. Restaurant sales a already down 28 per cent. T actual volume moving across t counters of our dry goods sto is off an average of 13 per ce Food sales are off 11 per ce People simply lack the money buy the goods. In spite of huge shortage of decent hom substantially fewer homes w started in May and April, 19 than a year ago. According all indications, the building new factories and orders for he industrial equipment are also ginning to move downward.

Inventories are still anot danger signal. Businessmen ing the last year spent betwee and 10 billion *extra* dollars to

crease the stocks of goods on hand in their stores. Today this extra buying is rapidly slacking off.

And, finally, there is immediate danger of a reduction in our export markets. American prices are becoming too high for many foreign purchasers.

On every other occasion in our economic history, when such conditions developed, we have had a recession. The *Wall Street Journal* feels that this time will be no exception. So does the *Journal of Commerce.* So do most other authorities of both conservative and liberal leanings. No one, of course, knows when the trouble will come, nor does anyone know how bad things will be.

Most emphatically I do not believe that we are headed for another major depression of the size of 1929 and 1933. But even a recession of the kind we had in 1920 would create grave hardship throughout this country. Equally important, it would jeopardize our position throughout the world.

Clearly, the responsibility for developing a program to meet this situation lies with Congress. More specifically, it lies with the majority party in Congress, of which Senator Ball is a member. So far, Congress has done nothing. That is why a committee of well-known economists, of which I agreed to be chairman, issued a report last week. This report put forward a program designed to cushion the recession which the mistakes of last June and July have now made inevitable.

This program contains nine proposals. The first calls for a reduction of the general price level of, roughly, one-half the increase since a year ago. A larger price drop, in our opinion, might create a panicky situation in business.

We suggest a price adjustment board, made up of businessmen, and authorized by Congress, to help bring about price reductions by working with industry on a voluntary basis.

To cushion a decline in prices and to build up our total buying power, we advocate an increase in wages to all employees, both factory and white collar, who have not received reasonable increases since last June. This, we believe, is particularly important to white collar workers, professional workers, government employees, and others whose wages have remained stagnant, for the most part.

What we are trying to do is to restore the balance between wages and salaries, prices, and profits, to about what it was a year ago. At that time, corporation profits before taxes were running at a rate of about 20 billion dollars, which after taxes left about 12 billion. This is, roughly, three times as much as profits before the war. It may sound like a lot, but we must accept the fact that business is entitled to ample incentives. Moreover, business must have the funds

to expand their plants and to modernize their equipment.

Still further to increase our ability to buy goods which our factories and farms produce—all the goods they produce—we advocate a substantial reduction in income taxes. These reductions, we believe, should apply particularly to families in the lower and middle income brackets, that is, to people earning less than $10,000 a year. *(Applause.)* Substantial reductions could be secured with a minimum of red tape simply by increasing the present exemption level to $700. Some day taxes should come down more for the higher income groups as well, but right now our problem is how to increase the buying power of the great majority of our people.

We further recommend the removal of 2 billion dollars' worth of excise taxes. These are hidden taxes which increase the cost of goods unnecessarily and thus further limit the things which you people can afford to buy.

Our program also calls for an all-out housing program. People are sick and tired of living on political promises on the housing subject. They want houses at reasonable prices and in a hurry. We propose a flat guarantee on the part of Federal Government that a million and a half homes be built each year for the next ten years. If private industry can build these homes, all well and good. If not, we think the G ernment must fill the gap.

Our program also calls for increase in minimum wages. level of 40 cents an hour was in 1940, when the cost of liv was far less than it is today. believe that it should be promp lifted to at least 65 cents an ho

We also advocate the contin tion for at least one year of a quate rent control. The rent c trol bills now being discussed Congress fail to provide tena with even reasonable protecti

Our program calls for the c tinuation of price supports for farmer. Today the farmer is do well, but he can remember o too vividly the speed with wh his prosperity has dissolved in past.

We advocate the expansion unemployment compensation. day 14 million workers are unprotected.

Finally, to keep up our pres rate of exports, we propose Congress immediately increase capital funds of the Export-Im Bank by 5 billion dollars.

We have worked earnestly put forward a constructive, w able program, to keep economy on an even keel and people fully employed. If S tor Ball disagrees with this gram, I sincerely hope he propose a better program of own. *(Applause.)*

Moderator Denny:

Thank you, Chester Bowles. Now, here's Senator Joseph H. Ball, senior Republican senator from Minnesota, who has stirred up many a storm in his brief career as one of the youngest and most vigorous legislators in that body, and that's just another way of saying that he's a leader. Senator Ball. *(Applause.)*

Senator Ball:

The economic proposals we are debating tonight are sponsored by Americans for Democratic Action, a new, self-styled liberal organization. Not only is America in no danger of an economic bust, but the A.D.A. plan for avoiding the one they have dreamed up to scare us is a perfect blueprint for depression.

The primary thesis of the A.D.A. is that inadequate mass purchasing power is the root of all our economic ills. This theory holds that increasing mass purchasing power is the cure for every trouble.

Tonight it has proposed to avert a threatened recession.

Details include a reduction in prices and profits, an increase in wages, and a reduction in taxes for only the low income groups. In other words, they want to increase the proportion of the national income going to wages and salaries to the point where profits virtually disappear and there are little savings for new investments. That is A. D. A.'s cure for its threatened deflation.

Curiously enough it is about the same cure many signers of this report were proposing a year ago for the *in*flation they then predicted. It is hard to see how it could work both ways, but that is only one of the economic absurdities we are asked to swallow.

The catch in the mass purchasing power theory is simple. If increasing the proportion of the national income going to mass purchasing power, that is, wages and salaries spent immediately for consumer goods, would assure prosperity, then China, India, and Egypt should have much higher living standards than ours. A much higher proportion of their national income goes into mass purchasing power.

American living standards are much higher because we produce more. But the real question is, why do we produce more? After all, a Chinese coolie with a pick and shovel can move just as much dirt in a day as an American worker with a pick and shovel, perhaps more, because he works longer hours. But the American worker doesn't use a pick and shovel. He has a big bulldozer and can move more dirt in one day than a hundred Chinese coolies—all because he has tools that are infinitely superior.

The American worker generally doesn't own the bulldozer himself,

anymore than his fellow workers own the modern factories, the mills, lathes, presses, and other expensive machinery which is so vital to our high production. These tools are paid for out of the profits business puts back into new plants and equipment; in the dividends and savings invested in enterprise.

The steady flow of that kind of investment into better and better tools has made possible the average three to four per cent increase annually in American productivity. It has made possible the tripling of real wages in thirty years. And it has helped hundreds of thousands of workers to eventually own their own tools in the form of stock shares.

But Americans for Democratic Action see something evil in this flow of profits and savings. They want to dry it up in order to increase mass purchasing power. That sort of program may be good political demogogy, but it would be economic suicide for you and me—the workers and consumers of America.

It is true that we have some economic and price adjustments ahead, but with national income now running fifteen billions above 1946 levels, no recession is likely. Both the construction and clothing industries are in danger of pricing themselves out of the market, in spite of tremendous demand.

Monopolistic practices by bot
management and unions in the
industries are a major factor; ar
in construction, the out-dated ar
wasteful municipal building cod
are also a serious bottleneck. The
codes, plus A. F. of L. boycotts, a
mainly responsible for the slo
progress in prefabricated housin

Congress can contribute most
speeding the readjustment to
stable peacetime economy by co
tinuing work on its three maj
current projects—enactment of
sound labor relations bill, reduci
Government expenditures to b
ance the budget, and reducing t
terrific burden of federal inco
taxes. Certainly Congress shou
avoid the economic blunders
vocated by Americans for Den
cratic Action.

It is hardly surprising that
A.D.A. plan would have the F
eral Government assume the
sponsibility for planning eve
thing for everybody — from h
many pigs each farmer should ra
to fixing wages and prices for
of us.

The eleven men who signed
report were all economic plan
during the war, seven of them
the late and unlamented O
They believe in a governm
planned economy. The gla
errors in their plan demonst
all too well that a free mar
with all its faults, does a be
job of economic planning fo

free people than any group, however brilliant, can achieve.

Their plan calls for an average price reduction of ten per cent, and an increase in wages of 15 cents an hour across the board—roughly, twelve per cent.

A twelve per cent wage increase would add more than eleven and a half billion dollars to producers' costs, at present levels of employment, while a ten per cent price cut would reduce their gross receipts by nearly nineteen billion. That is a net reduction of the difference between business income and outgo of more than 30 billion dollars. Even figuring business profits at the A.D.A. report levels, this would leave American industry presumably operating at a net loss.

If anyone knows of any surer way to produce a depression, I'd like to hear it. Our OPA experience taught us that industry will not produce at a loss, regardless of Goverment edicts.

The A.D.A. report also wants to sneak a new OPA in through the backdoor in the form of a price adjustment board. The board would use high-powered publicity to club recalcitrant businesses into line on the ten per cent price cut. What a fine Gestapo set-up that would be for American industry! Even OPA itself never attempted that sort of totalitarian tactics.

In fact, the entire A.D.A. program seems designed to kill the enterprise system by slow strangulation, presumably to open the way for the Government planners to take over. I would have more respect for its sponsors if they would openly advocate the state socialism which clearly will be the end result of their plan. *(Applause.)*

Moderator Denny:

Thank you, Senator Ball. Now Mr. Gilbert, as an economist and former special adviser to the OPA, under the Secretary of Commerce, would you give us your comments on the address we just heard and your questions for Senator Ball? Mr. Gilbert. *(Applause.)*

Mr. Gilbert: Senator Ball reminds me of the maiden lady in New York who said she wasn't the least bit worried about New York traffic. "I just close my eyes," she said, "and drive straight ahead." *(Laughter and applause.)*

All across the country, people are worried about the economic outlet — every businessman I've talked to, every economist. Every newspaper that you pick up these days is full of the prospects of a depression. But Senator Ball pooh-poohs the entire idea.

I'd like to remind you that in June and July of last year, when many of us warned that if price control was killed prematurely, we'd have a real dose of inflation, which would set the stage for a collapse, as it did after World War I, Senator Ball pooh-hoohed

those dangers, too. And look where we are today.

If I can strip the statement down to bedrock, I'd say there's one proposition he makes which is crucial, and that is that the program we suggested to cushion a depression is likely to bankrupt business. That, I think, is plain nonsense. As Mr. Bowles made prefectly clear, and as was emphasized in the report itself, we advocate a restoration of the price-wage-profit relationships of last June. At that time profits were twenty billions of dollars, three times what they were prewar.

The truth of the matter is that we firmly believe in profits, in generous profits, in profits well above prewar levels. We believe they are absolutely essential to the health and vigor of our economy. But we also believe, and with equal firmness, that the health of our economy requires that people have the buying power to buy the goods that American industry and American agriculture produces. *(Applause.)*

When prices and profits run away from wages and salaries as they have since June, when the buying power of our people falls *below* what is required to take goods off the market, that has *always* meant an economic crack-up. And that crack-up, I may say, hurts business just as much as it does farmers and workers. In 1920 and 1921, when the situation was very like that we face today, th crack-up threw six million me out of work, but at the same tim it cut farm income by two thirds and it wiped out business profit altogether.

The program that we advocat is a program designed to let u step off the inflationary level, i which we today find ourselve without a crack-up. I would thin that Senator Ball, like everybod else, would welcome a discussio of the means to prevent that crac up. *(Applause.)*

Now, Senator Ball, I gath from your remarks that you a not much concerned about th business outlook. But inasmuch so many of us are really worri about it, and that extends all th way from the National Associati of Manufacturers to the Preside of the United States, don't y think that the Congress has t responsibility and the duty to ho public hearings to consider t business outlook and to consid the program which we and oth are bringing forward to cushi the decline?

Mr. Denny: Senator Ball.

Senator Ball: Well, I think fears for another big recession very greatly exaggerated for reasons I have stated. You g tlemen keep comparing the c sumer's price index of today w the consumer's price index of June. You seem to forget that index in June didn't take any

count of black market prices, and there were a great many commodities, including meat and several other things, that could not be bought except under black market in many communities. So your comparison of the actual price rise is not accurate.

As far as holding hearings goes, I'm a member of the Committee on the Economic Report. We've had, I think, four or five meetings already this year, and we're sending out a questionnaire now to business leaders throughout the country to get their views and their planning in the way of production for the next year, and when we get those reports, I think probably we will hold some hearings.

But I don't think there is anything in the national income figures which are steadily rising, in the wages and salary payments, which are also rising, which indicates any great danger of a recession. *(Applause.)*

Mr. Denny: And now, Mr. Gilbert.

Mr. Gilbert: Senator Ball skipped any mention of many of the planks in our program. I'd like to ask him to tell this audience whether he thinks it's right to raise minimum wages from 40 to 65 cents; whether he thinks it's right today to extend unemployment compensation to the 14 million workers who don't have it; whether he thinks we ought to continue rent control, whereas last June he thought rents ought to be put up 15 per cent; whether he thinks the Government has got a responsibility to see to it that the veteran has houses. I guess that is all. *(Applause.)*

Senator Ball: There are a number of questions. On the housing thing, I've indicated it is my belief that these municipal building codes, and the A. F. of L. boycott of prefabricated housing are the main bottlenecks there. Certainly, having the Government underwrite a million and a half housing units a year at present prices will not help any veteran to get housing, because it will make certain that prices stay way out of line.

As for minimum wages, I think 65 cents is getting pretty steep. I think they should *(laughter)* be kept minimum wages. Yes, yes, I know. The A.D.A. program is, by legislation, to give everybody what *they* determine is a fair wage. It isn't a minimum wage program at all. They are addicted to this idea that by Government edict we can bring about prosperity.

That isn't the way it's been done in America. That isn't the way we achieved our high standards. *(Applause.)* We did it by working and producing. That's the only way we'll keep on doing it.

Mr. Denny: Thank you, Senator Ball. Now, Mr. Terborgh, as research director of Machinery and Allied Products Institute, and

author of a book by the very impressive title, "The Bogey of Economic Maturity," may we have your comments on the speech by Mr. Bowles, and your questions for Mr. Bowles. Mr. George Terborgh. *(Applause.)*

Mr. Terborgh: I'm not going to vie with Mr. Bowles' committee of soothsayers in divining the economic outlook. I will say, however, that he has decorated the alleged recession with so many remedial proposals that it begins to look like a Christmas tree.

His most important medicine is the program for raising wages and reducing prices. This is designed to correct what he thinks is a maldistribution of the national income between wages and salaries, on the one hand, and profits on the other.

If we take total payrolls and profits, disregarding the distortion in particular areas, this maldistribution is purely imaginary. In past years of peacetime prosperity, wages and salaries have claimed between 60 and 65 per cent of the national income. The present ratio is right in the middle of that range. In these same years, corporation profits have varied between 8 and 10 per cent of the national income. At the present time, they are about 8 per cent. What has happened in the past few months is simply a restoration of these ratios to normal, after the wartime distortion.

If I rightly interpret the repo
of Mr. Bowles' committee—a
after talking with him, I'm n
sure that either he or I understa
it—the proposal is to wangle
average price reduction of 10 p
cent, and to generalize, as far
possible, the 15 cents an ho
wage increase now going aroun
This is by way of squeezing pro
its to the benefit of the payro
I agree with Senator Ball that
this scheme were feasible, whi
it is not, it would come close
wiping out profits entirely, a
would precipitate an economic co
lapse.

We need to correct some of t
out-of-line costs and prices, su
as the cost of construction, f
example, but not to redistribu
income between payrolls and pro
its, in general. That, in my jud
ment, is a mistaken line of atta

I should now like to ask M
Bowles a question. Why, M
Bowles, are you so much more co
cerned with the purchasing pow
of wage and salary earners, tha
with that of the self-employed
such as farmers, profession
people, proprietors—or that
corporations and their securi
holders? You must know that t
economic group that has suffer
the greatest loss of income is t
recipients of dividends. They a
now getting about 3 per cent
the national income—3 per ce
mind you, as against an historic
average of 6 or 7 per cent.
have never heard you public

lamenting that loss of purchasing power, Mr. Bowles.

Mr. Denny: Mr. Bowles.

Mr. Bowles: What we are after, it seems to me, is a better balance between profits, wages, and prices. We obviously have got to have profits; we have got to have good profits. If we have too much profit, and take it away from the wage-earner, there is not enough purchasing power built to buy any goods. If prices go up, there also isn't enough purchasing power to buy any goods. On the other hand, if we don't have enough profit, we're not going to be able to expand our plants and buy new machinery.

We've got to find a balance. Today, we have a very bad balance. It's completely out of line. I think the people in this audience know that prices have gone up substantially in the last year. They don't have to have a lot of economic experts like us tell them that. They also know, most of them, I think, that their wages have not gone up correspondingly, that they are able to buy less this year than they were last year.

On the other hand, if you look at the profit statements that are published by the banks, you'll see that profits have gone absolutely

THE SPEAKERS' COLUMN

JOSEPH HURST BALL—Senator Ball, Republican, who was appointed United States Senator from Minnesota in October, 1940, to fill the unexpired term of the late Ernest Lundeen, was elected in November, 1942, to serve a six-year term.

Born in Crookston, Minnesota, in 1905, Senator Ball attended Antioch College and the University of Minnesota. He worked as a reporter for the *Minneapolis Journal* and the *St. Paul Pioneer Press and Dispatch.* He went to the latter paper in 1929, and from 1934 until 1940 was state political writer. He is a member of the Senate Labor and Public Welfare Committee.

CHESTER BOWLES — Chester Bowles is former director of the Office of Economic Stabilization and Price Control Administrator. He was born in Springfield, Massachusetts, in 1901, and has his B.Sc. degree from Yale.

From 1925 to 1929, Chester Bowles was employed in the copy department of the George Batten Company. In June, 1929, with William B. Benton, he helped to found the advertising firm of Benton & Bowles. From 1936 to 1941 he was chairman of the Board, leaving in December, 1941, to become Rationing Administrator for the State of Connecticut. He was appointed State Director of the Office of Price Adminstration in May, 1942, with full authority to reorganize all rationing, price control, and rent control operations. In July, 1943, he became general manager of the National OPA.

In February, 1945, he was made director of the Office of Economic Stabilization, from which position he resigned in June, 1946.

GEORGE TERBORGH—Research director for the Machinery and Allied Products Institute, Mr. Terborgh has taught economics at the University of Illinois, University of Chicago, Ohio State University, University of New Mexico, and Antioch College. He is a graduate of Oberlin College (1922), and is the recipient of an M.A. degree from University of Chicago and a Ph.D. degree from Brookings Graduate School. He is the author of *The Bogey of Economic Maturity, An Appraisal of the Fatalistic View of Capitalism,* and other works.

RICHARD V. GILBERT—Mr. Gilbert is a consulting economist with offices in Washington, D.C. He was formerly economic adviser to the Secretary of Commerce, and thereafter to the Price Administrator. Mr. Gilbert has taught economics at Harvard, Radcliffe, and the Fletcher School of International Law and Diplomacy.

skyrocketing in the last year. *(Applause.)*

As far as the self-employed are concerned, we only want to restore a more decent reasonable balance between those three. That means, in our opinion, that prices should come down somewhat—we think rather substantially, but still leave them high enough to fulfill their function. The purchasing power should go up. As far as the farmer is concerned, the farmer, up until the war, had never had a decent share of the national income. Today, he is still getting a smaller share, per capita, than most other people. Farm prices today are very high. They probably have got to come down. But I hope that they will not fall out of bed, the way they did after the last war, by tumbling into a depression. I hope that they will only come down moderately.

As for the self-employed, I think they are one of the biggest hopes the country has, and I think and feel that they should have a decent profit, and a proper profit for the work they put in. Certainly, however, with monopoly growing at the rate it's growing and nobody seeming willing to do anything about it, their lot is a pretty miserable and unhappy one today. *(Applause.)*

Mr. Terborgh: Isn't it just as important, Mr. Bowles, to maintain the purchasing power of those who buy capital goods and who equip production with machinery as it is to maintain the purchasi
power of wage and salary earne
or consumers?

Mr. Bowles: Well, of cours
you've got to have the purcha
ing power to buy all the industri
equipment in plants. I emphasiz
that. I think I said it twice du
ing the broadcast already. But
don't share my friend George T
borgh's concern here for t
corporations. I think they ha
been doing pretty well during t
last year. *(Applause.)*

Mr. Denny: Now we have
eager Town Hall audience ready
get in on this question period, b
while we get ready for this pa
of tonight's discussion, I'm su
that you, our listeners, will be
terested in the following messa

Announcer: You are listening
America's Town Meeting of
Air, brought to you by Town H
and the American Broadcasti
Company, originating tonight
Town Hall, New York, and c
ducted by George V. Denny,
president of Town Hall.

You have heard Senator Jose
H. Ball, Chester Bowles, Rich
Gilbert and George Terborgh
cussing the question, "How C
We Avoid an Economic Bust?"

For your convenience, we p
each week the Town Meeting B
letin containing a complete rec
of tonight's discussion, includ
the questions and answers that
low.

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If you would like to have this ulletin, in a handy pocket-size, ome to you regularly each week, nclose $1 for 11 weeks, $2.35 for months, or $4.50 for a year. Remember the address—Town Hall, New York 18, New York, and alow at least two weeks for delivery.

Each week, we hear of new groups being organized to listen to and discuss our Town Meeting programs immediately following these meetings. Have you organized a Town Meeting in your home, school, church, or club? It's fun, it's good citizenship. It's the American way of increasing your understanding. If you have such a group, or plan to organize one, drop us a line here at Town Hall, New York 18, New York.

Now for our question period, we return you to Mr. Denny.

QUESTIONS, PLEASE!

Mr. Denny: Friends, would you like to earn a $210-set of the *Encyclopedia Americana?* Our local committee of judges is standing by, listening for the question which the committee considers best for bringing out new facts and increasing our understanding of tonight's subject. If you ask this question, provided it is limited to twenty-five words, you will receive a 30-volume set of the *Encyclopedia Americana.* Let's start with this gentleman right here.

Man: My question is directed to Senator Ball. Do you think, Senator Ball, that the new labor law that was just passed in Congress will help to avoid a depression? And, if so, how?

Senator Ball: I think that it will help a great deal because it will stop certain monopolistic practices of unions, such as the secondary boycott and the closed shop, which have slowed down production. Unfortunately, it won't do much for the construction industry because that's intra-state instead of interstate commerce, in most cases. You're going to need state laws to take care of it there.

Mr. Denny: Thank you. The gentleman right here.

Man: I dedicate my question to Mr. Bowles. Mr. Bowles, can you say anything about the $658,000,000 a year raise which the non-operating railroad unions are demanding?

Mr. Bowles: I think the pr lem comes up in June. It'll pr ably be bargained out between brotherhoods and the railr companies during the next weeks. I see the railroads h just got a 13 per cent increase rates. *(Applause.)*

Mr. Denny: Thank you. gentleman in the fourth row th

Man: Senator Ball. Why are afraid of a socialized state? N Zealand, which is a socialized st has a higher standard of liv than the United States, and no employment.

Senator Ball: I'm sorry to agree with you, but your f about the standard of living New Zealand are comple wrong. I don't like a sociali state because I think for one th it leads to a monopoly, and monopoly run by governmen just as bad, and—in my opinio leads to just as much static in economy, as a monopoly in pri hands. *(Applause.)* Furtherm when you remove incentive— centive is the way to get pro tion—in my opinion, eventu you wind up with compulsion, that's totalitarianism. *(Applau*

Mr. Denny: Thank you. gentleman up in the balcony.

Man: My question is addre

to Mr. Bowles. Mr. Bowles, in this recession, this cyclical change, which you fear—will your plan also provide for the increase of prices and the decrease of wages?

Mr. Bowles: Well, what we'd like to see—we'd like to see the prices go down on the average about half what they've increased since last June. We're afraid that if prices move down any further than that, they will make a very sharp drop, and it may lead to panicky conditions with inventory losses that would be quite severe. That in itself—that price drop by itself—would not, in our opinion, be sufficient to raise the purchasing power of our people to buy the amount of goods that our factories can produce.

So, we feel we have to have some wage increases—particularly among the white collar workers and professional workers, and others who have not had the increases—to help make up the difference, plus some reduction in income taxes—particularly for the lower income groups—to balance the whole thing out and keep us fully employed. *(Applause.)*

Mr. Denny: Thank you. Another question from the balcony.

Man: I'd like to address my question to Senator Ball, please. Senator, you said in your opening address that OPA experience during the war showed that business won't produce at a loss. Question One, didn't we produce under OPA during the war? Number Two, didn't we produce at higher profits under OPA during the war?

Senator Ball: First, I was talking about OPA at the end of the war when we saw production dry up in a great many articles, simply because OPA wouldn't give them a price at which they could produce. *(Interruption from questioner.)* Let me answer your question. We had very tremendous war production, but OPA had nothing to do with setting the prices on it, and as a matter of fact the percentage of the national income going to profits during the war was way below the average. *(Applause.)*

Mr. Denny: Mr. Bowles wants to comment on that.

Mr. Bowles: I'd like to take very violent exception to that. The OPA priced steel and all basic commodities during the war, and those prices stayed right about where they were when the war started. I'd hate to think what our national debt would be if we allowed the price of steel to seek its own level during the war. *(Applause.)*

Mr. Denny: Thank you. The gentleman on the aisle.

Man: I have a question for Mr. Gilbert. Have not the past two years shown the fallacy of the theory that wages can be raised without increasing prices? Why, therefore, raise wages further?

Mr. Gilbert: You're entirely mistaken. The experience of the last two years, as the experience of a century, shows that you *can* raise wages without raising prices because *we've* done that for a century and a half. Over the past generation, prices have remained approximately the same. This spring they are at about the same level that they were in the spring of 1919. Over that period of time, wages have doubled and profits have tripled.

The truth of the matter is that as our economy becomes more and more productive, unless it distributes enough buying power to buy the goods that that productive economy can produce, we go into a tailspin with mass unemployment, with business losses, and with farmers flat on their backs. *(Applause.)*

Mr. Denny: Thank you, Mr. Gilbert. Senator Ball?

Senator Ball: Well, Mr. Gilbert overlooks the fact that you can increase wages without increasing prices only when the productivity of workers increases. *(Applause.)* It has increased generally in our country about 3 per cent a year. No one knows what it has done during the war, because most of it went into war production. In some peacetime lines that continued during the war, like electric utilities, railroads, and mining, where we have figures, it increased considerably. In other lines, like beet sugar refining, cement ma[king], clay products, flour, printi[ng] and publishing, and paper a[nd] pulp making, it actually decreas[ed] from 1940 to 1945. As a matt[er] of fact, during the last war [it] leveled off. After the war we h[ad] quite an increase, but it came [a] year or two after the war.

Mr. Denny: Thank you. M[r.] Gilbert wants to have a rejoin[der] there.

Mr. Gilbert: What we have [to] recognize today is that if histo[ry] repeats itself, as it has again a[nd] again in the past, we face a co[l]lapse of 20 to 25 per cent in pri[ces] which will bankrupt thousands [of] businesses and put this coun[try] flat on its back, just as it was f[or] a couple of years after the last w[ar.] We are advocating moderate wa[ge] increases to try to cushion th[e] blow, to try to build up purch[as]ing power, so as to prevent [so] disastrous a collapse of prices [as] that.

Mr. Denny: Mr. Terborgh's [up] on his feet here. Mr. Terborg[h.]

Mr. Terborgh: That degree [of] collapse in prices seems to [me] quite improbable at this time. [As] Mr. Gilbert will recall, the bu[lk] of the collapse following the [in]flation of World War I occur[red] in farm products, which are no[w] given support at a level somewh[at] below today's.

Mr. Denny: Thank you. T[he] young lady here, please.

Lady: I have a question [f...]

Senator Ball. What is your solution to the housing emergency, or don't you believe there is such an emergency? *(Laughter.)*

Mr. Denny: In one minute, she asks.

Senator Ball: I think very much there is an emergency. As I said, the housing construction industry is pricing itself out of a market. It's doing it to a large degree through monopolistic prices in both the materials end of it and in the labor end of it.

One approach is for people to insist that municipal building codes be revised. Another approach is to get state legislatures to ban the secondary boycott and the closed shop by which the unions enforce their monopolistic practices in that field. The other approach is for the Attorney General to go after the monopolistic practices on the business side, and he's doing that. *(Applause.)*

Mr. Denny: Thank you. The lady in the back row, please.

Lady: My question is directed to Mr. Terborgh. Mr. Terborgh, Senator Ball talked about avoiding tax-strangulation. Wouldn't we just about smother ourselves in the inflation that would result if Congress were to enact legislation right now to reduce taxes?

Mr. Denny: If Congress were to enact legislation right now to reduce taxes, wouldn't we just about smother ourselves with inflation?

Mr. Terborgh: That is a matter of prediction. It depends on whether we are on the edge of this much-discussed recession. If we are, at the moment, in a soft spot, I should say that tax abatement would not have serious inflationary consequences, though it would have it if we were still under inflationary pressure.

Mr. Bowles: I'd just like to add the fact that 50 per cent of the people in the country today, in spite of all this prosperity we talk so much about, are earning less than two thousand dollars a year. Half the families are earning less than two thousand dollars a year and eighty per cent are earning less than three thousand dollars a year.

Mr. Denny: Thank you. The gentleman here in the fifth row.

Man: My question is for Senator Ball. I should like to ask the question of how do you reconcile the need for unfettering business when you are proposing the restraining of labor? *(Applause.)*

Mr. Denny: Senator.

Senator Ball: I have never recommended unfettering business. As a matter of fact, I think our antitrust laws need to be tightened up and much more vigorously enforced. Because we have certain monopolistic trends in business which are bad for free economy, however, is no reason to tolerate complete monopolies in the union field. *(Applause.)*

Mr. Denny: Thank you. Mr. Gilbert.

Mr. Gilbert: I should like to point out, however, that Senator Ball has not lifted a finger as yet, to my knowledge, to bring about that breakdown of the monopolies of business while he's been moving heaven and earth to do something of that sort to labor. *(Applause.)*

Mr. Denny: Senator Ball.

Senator Ball: I don't know of any business monopoly, so called, that cut off the complete supply of a vital raw material during the war, that by the action of one man, can cut off our total supply of coal or steel. *(Applause.)* I don't think that the situation in business is half as serious as it is in unions.

Mr. Denny: Mr. Bowles.

Mr. Bowles: Senator Ball, I could give you the names of several corporations that did just that, who told me if we didn't give them the price they wanted, they'd sit down in Florida and spend the winter right there. *(Applause.)*

Mr. Denny: Senator Ball.

Senator Ball: Can you name me, Mr. Bowles, any one businessman who denied total supply of steel and coal to the Government?

Mr. Bowles: No.

Senator Ball: Or aluminum?

Mr. Bowles: No. *(Laughter.)*

Senator Ball: Or any other basic materials?

Mr. Bowles: Plenty of ve basic products to the war effo

Senator Ball: The total suppl I'm talking about?

Mr. Bowles: Not the total su ply, no.

Senator Ball: No, of course no We're talking about monopol *(Applause.)*

Mr. Gilbert: Well, I'll give yo one . . .

Mr. Denny: It's getting h here. Mr. Gilbert.

Mr. Gilbert: I'll give you o very clear example. A year a February, the steel industry of th country refused to produce ste until they got the price increa they wanted. The President su gested a negotiated settlement f the strike, and the steel indust turned it down and they stay out of production until they g the price that they wanted. more perfect example couldn't found. *(Applause.)*

Mr. Denny: Senator Ball.

Senator Ball: Mr. Gilbert ne lects to state that the price i crease demanded was to take ca of a wage increase which t President had recommended. *(A plause.)*

Mr. Denny: I don't think we going to get very far with night's subject on that line, let's get back to tonight's qu tion. I'll start with the you lady right down here. Yes?

Lady: Senator Ball, you spe about the labor monopolies a the government monopolies, b

ow can we have a free economy vith private monopolies suffocating the life out of our economy? Applause.)

Mr. Denny: Senator Ball.

Senator Ball: Well, that's a retty general question. I don't ee anybody here that's suffocated. don't see that our economy with national income of fifteen billion over last year is exactly sufocated. *(Applause.)*

Mr. Denny: Thank you. The ady in the balcony.

Lady: Mr. Gilbert. I'd like to uestion your interpretation of he statement your colleague, Mr. Bowles, made. How will your roposal of an additional five million dollar appropriation to the Export-Import Bank help to avoid recession in the United States?

Mr. Gilbert: The answer to hat is this. During the first quarer of this year, other countries vere spending nine billion dolars more in this country than we vere spending in theirs. That has eant that they've had to draw own their balances of dollars ractically to the vanishing point, nd unless some means is found replenish their supply of dollar urrency, those exports are bound drop off very sharply, and that vill mean unemployment in the dustries which are today proucing those goods for export. Applause.)

Mr. Denny: Thank you. The entleman on the front row.

Man: I'm a white collar worker, and I haven't had a raise in a year and a half. *(Laughter.)* My question is for Mr. Terborgh. If you won't permit wages to rise and you won't bring prices down, how am I going to be able to buy food?

Mr. Denny: That's a pretty practical question. *(Applause.)*

Mr. Terborgh: My suggestion is that they halt the successive rounds of wage increases in the unionized trades and let the white collar workers catch up. *(Applause.)*

Mr. Denny: Thank you. The gentleman right here.

Man: My question is directed to Mr. Bowles. How can prices be reduced, on housing, for instance, if wages are increased, as labor is the major part of the price of housing?

Mr. Denny: Mr. Bowles?

Mr. Bowles: Lumber has gone up 50 per cent in price since last June. Building materials generally have gone up 37 per cent since last June. The increase in the wages of the building trade has been a small fraction of that. We obviously have got to get less monoply, or eliminate monopoly, as Senator Ball says, and I wholly agree with him, in the whole field of building. We've got to have less feather-bedding on the part of labor. We've got to have a lot less monopoly on the part of management, and we've got to get rid

of these local building codes or modify them. But don't let anybody tell you that wages have gone up to the extent that prices have in the building industry, because they just haven't done it. *(Applause.)*

Mr. Denny: Thank you, Mr. Bowles.

Now, Mr. Bowles and Senator Ball have prepared their summaries for tonight's question, and let's hear first from Senator Ball.

Senator Ball: We are not headed for an economic bust. Even though price adjustments are in order in a few lines, national income is rising. Demand is still way ahead of supply. Purchasing power, measured by wage and salary payments, is still rising.

The A.D.A. plan for averting the economic recession they predict is in reality a program to destroy our enterprise system by slow strangulation. They would do it by drying up profits and destroying incentive, which are the life blood of this system. That would pave the way for a state-planned economy which means totalitarianism.

Congress can contribute most to economic stability by balancing the budget, reducing taxes, and passing a sound labor relations law. *(Applause.)*

Mr. Denny: Thank you, Senator Ball. Now for a final word from Mr. Chester Bowles.

Mr. Bowles: Senator Ball seems to assure us that everything is right, that there is no need us to worry. The great majority you people know that this simply not so.

Prices since the wrecking price controls last June have ri dangerously. While corporat profits have skyrocketed, the income of the average Ameri family has lagged further further behind. The country worried. Main Street is worr Even Wall Street is worried. E one of us knows what a recess would mean to us in terms of m unemployment, disappeari profits, and lower incomes to farmers. Each one of us can ualize the damage a recession r would do to American prestige over the world, a time when peo everywhere are looking to us inspiration and help.

Are we going to sit idly under such circumstances and nothing? Certainly Senator has proposed no adequate prog tonight. If we allow a depres to develop now, it will not be cause we did not know how prevent it. It will not be the f of our people. It will be so and simply because the majorit our present Congress, in the of clear danger signals, stubbo refused to act. *(Applause.)*

Mr. Denny: Thank you, Sen Ball, Chester Bowles, George borgh, and Richard Gilbert. if we can't avoid a depression

such good counsel as we've had here tonight, perhaps it's our own fault.

Next week, May 29, America's Town Meeting of the Air will celebrate its twelfth anniversary with a discussion of the subject, "How Can We Strengthen the American Family?" Our principal speakers will be the Honorable Charles P. Taft, President of the Federal Council of Churches, and the Right Reverend Monsignor Luigi G. Ligutti, Executive Secretary of the National Catholic Rural Life Conference.

Sharing the platform with Mr. Taft and Monsignor Ligutti will be two grand-prize winners of our nation-wide contest which we conducted on this subject in co-operation with the Russell McGuire Foundation.

More than 6200 letters were submitted from every state in the union. Fifty Town Hall certificates of merit have been awarded for excellent letters submitted. Ten persons won honorable mention, and each of these will receive a $210-set of the *Encyclopedia Americana.*

The grand prize winners, and they've all been waiting for this news, who will receive $500 each and a trip to New York for their appearance on next week's program, are: Mrs. Annie Laurie Peters, of Alexandria, Louisiana, and Mr. Thomas E. Gaddis, Los Angeles, California. Congratulations, Mrs. Peters and Mr. Gaddis. We'll be listening to you next week. *(Applause.)*

And we want to salute those ten who won honorable mention and whose letters will appear in the *Town Meeting Bulletin* next week. Mrs. William G. Gorrod, Jr., of Springfield, Massachusetts; Mrs. Mary Appleton of Cleveland, Ohio; Richard E. Gross, of Madison, Wisconsin; Mr. Harry Nelson of Chicago, Illinois; Mrs. Ray Sandefur of Anderson, Indiana; Miss Ada Herr of Brooklyn, New York; Mrs. Vernette I. Schmidt of Dayton, Ohio; Mr. J. Webb Saffold of Cleveland, Ohio; Mrs. N. E. MacLaurin of Seattle, Washington; and Mr. John Plank of Marion, Ohio.

Now we have one more set of *Encyclopedia Americana* to present tonight, and that goes to Mr. Burt Mears, who asked the question, "Have not the past two years shown the fallacy of the theory that wages can be raised without increase in prices? Why, therefore, raise wages further?" Congratulations, Mr. Mears.

And thanks to this fine audience for their excellent questions and their warm enthusiastic response to the program. We hope that you'll plan to be with us next week and every week at the sound of the Crier's bell. *(Applause.)*

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